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September 6, 1996

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FEDERAL COMMUNICATIONS COMMISSION  
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EX PARTE

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

Re: In the Matter of Federal-State Joint Board on Universal Service  
CC Docket No. 96-45

Dear Mr. Caton:

In accordance with the Commission's rules regarding ex parte presentations, please be advised that yesterday, Bill Blase, Paul Cooper, and John Schrottenboer, representing Southwestern Bell Telephone Company (SWBT), met with Chairman David W. Rolka and Ms. Debra Kriete of the Pennsylvania Public Utility Commission. The purpose of the meeting was to discuss SWBT's stated positions in the above-referenced docket.

Written materials, which were used during the presentation, are attached to this letter for inclusion into the official record in this docket. Pursuant to Section 1.1206(a)(1) of the Commission's rules, 47 C.F.R. § 1.1206(a)(1), two copies of this letter and the supporting materials are provided for your use. Due to the late hour at which the meeting concluded, we are providing the notification of the ex parte presentation today.

Should you have any questions concerning the foregoing, do not hesitate to contact me.

Sincerely,

*Todd F. Silbergeld*

Attachment

cc: The Honorable David W. Rolka (w/o attachment)  
Ms. Debra Kriete (w/o attachment)  
Ms. Kathleen B. Levitz (w/ attachment)  
Mr. John Stroman Morabito (w/ attachment)

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**SOUTHWESTERN BELL TELEPHONE COMPANY**

**COMPREHENSIVE  
FEDERAL AND STATE  
UNIVERSAL SERVICE PLAN**

**Pennsylvania Presentation  
Harrisburg  
September 5, 1996**

## **INDEX**

**TAB 1    Definition of Universal Service.**

**TAB 2    Why are we concerned?**

- The current basis of Universal Service support
- Carrier of last resort obligations remain.
- Without change, further competitive entry risks ability to maintain Universal Service.

**TAB 3    Proxy cost quantification alternatives are inappropriate and unnecessary.**

**TAB 4    SWBT's Comprehensive Federal/State Plan.**

- Jurisdictional responsibility.
- Eligibility and qualification criteria.
- Universal Service area.
- Federal plan.
- Intrastate plans.

**TAB 5    Other Issues.**

- Competitive bidding is inappropriate and harmful.

## **UNIVERSAL SERVICE DEFINITION**

Widely available basic telephone service at reasonable rates. This obligation requires the deployment of a telecommunications network for use by the general public to accomplish two-way switched voice communication within and beyond a local calling area. This universal service connectivity is provided by loop, switch and interoffice facilities and meets provider of last resort requirements. Basic services provided are:

- Voice grade access to the public switched network with the ability to place and receive calls (includes loop, local switching and local interoffice transport).
- Touch-tone.
- Single-party residential and business local service.
- Access to emergency services (911/E911).
- Access to basic operator services.
- Standard white page directory listing.
- Access to basic local directory assistance.

## **FACILITIES WHICH CONNECT CUSTOMERS ARE THE BACKBONE OF UNIVERSAL SERVICE**

1. The cost of the universally available network varies substantially geographically.
2. The sources of revenue to recover the network cost are:
  - Local exchange.
  - Support from toll, access and other services.
3. Carrier of last resort obligations remain with the incumbent LEC:
  - For existing customers.
  - Significant additional competition is not expected to be facilities-based, but through resale of service or unbundled facilities. The incumbent LEC still provides carrier of last resort facilities.
4. Without changes, further competitive entry, primarily in urban markets, will destroy the basis of support and put at risk the ability to maintain Universal Service.
  - New local entry is targeted primarily at urban areas.
  - FCC Interconnection Order effectively eliminates the ability to support the local exchange network with usage-based access revenues.

**SUMMARY OF ESTIMATED ACTUAL  
SUPPORT WHICH MAY BE LOST DUE TO  
FURTHER COMPETITION AND THE FCC  
INTERCONNECTION ORDER**

**Pennsylvania**

	<b><u>Total</u></b>	<b><u>Interstate</u></b>	<b><u>State</u></b>
1. Support from other (primarily toll and access) services to maintain reasonable local rates.	\$600M		Not Analyzed
2. Amounts within average toll rates to support reasonable rate levels in high cost areas.			Not Analyzed
3. Amounts within average access rates to support reasonable rate levels in high cost areas.			Not Analyzed
4. Support within local services			
- Business to Residence			Not Analyzed
- Vertical Svcs to Basic Svcs			Not Analyzed

# Pennsylvania

Study Area Code	Type Company	Study Area Name	Common Control Name	USF Loops	Estimated				
					Total Regulated Costs	Local Exchange Costs	Local Costs Per Lp/Mo	Local Revenues Per Lp/Mo	Support Per Lp/Mo
170176	C	ALLTEL PENNSYLVANIA	ALLTEL CORP.	*					
170189	C	Armstrong Tel Co.-PA	Armstrong Holdings	1,488	1,361,500	904,866	50.68	25.23	25.45
170195	A	ARMSTRONG TELEPHONE COMPANY	ARMSTRONG UTILITIES	*					
170150	C	BROOKVILLE TELEPHONE CO	ALLTEL SERVICE CORP.	32,216	19,896,958	17,162,325	44.39	22.75	21.65
170151	A	BUFFALO VALLEY TELEPHONE COMP		*					
170156	A	CITIZENS TEL. CO OF KECKSBURG		*					
170157	A	CITIZENS UTILITIES CO. OF PA	CITIZEN UTILITIES COMPANY	*					
170170	C	Contel Pennsylv.	GTE	53,966	28,971,674	23,009,395	35.53	23.08	12.45
170161	A	C-TEC CORPORATION		*					
170165	A	DENVER AND EPHRATA TEL. & TEL.		*					
170194	C	Frontier Communications of Oswayo River	Frontier Corporation	2,038	1,461,972	1,011,206	41.35	27.28	14.07
170149	C	Frontier Communications of Breezewood, I	Frontier Corporation	3,717	2,592,146	1,934,650	43.37	23.80	19.58
170152	C	Frontier Communications of Canton, Inc.	Frontier Corporation	3,368	1,733,360	1,352,730	33.47	22.28	11.19
170178	C	Frontier Communications of Lakewood, Inc	Frontier Corporation	1,373	787,123	576,025	34.96	18.60	16.36
170168	C	Frontier Communications of Pennsylvania,	Frontier Corporation	22,626	11,113,545	6,721,322	24.76	19.61	5.14
170169	C	GTE North Inc - Pa	GTE	453,081	251,852,866	203,680,055	37.46	28.86	8.61
170171	A	HICKORY TELEPHONE COMPANY		*					
170175	A	IRONTON TELEPHONE COMPANY		3,266	1,947,227	1,483,218	37.84	19.58	18.26
170177	C	Lackawaxen Tel Co		3,143	1,812,868	1,237,943	32.82	17.54	15.29
170179	A	LAUREL HIGHLAND TELEPHONE CO		*					
170183	C	MAHY & MAHGO	TDS	3,678	2,442,587	1,874,859	42.48	22.23	20.25
170185	A	MARIANNA - SCENERY HILL TEL. CO.		2,513	1,498,280	1,141,252	37.84	16.27	21.57
170190	C	MURRAYSVILLE TELEPHONE COMPA	ALLTEL SERVICE CORP.	28,281	15,089,880	12,543,380	36.96	16.33	20.63
170192	C	North Penn Tel Co	BARCEL	4,427	3,253,332	2,384,879	44.89	22.34	22.56
170193	A	NORTH PITTSBURGH TEL. CO.		52,506	31,304,683	23,845,031	37.84	15.52	22.33
170196	A	PALMERTON TELEPHONE COMPANY		*					
175000	C	Pennsylvania	Bell Atlantic	5,478,057	2,891,452,646	2,223,422,614	33.82	27.00	6.82
170197	A	PENNSYLVANIA TELEPHONE COMPA		1,166	695,183	529,526	37.84	21.51	16.34
170200	A	PYMATUNING IND. TELEPHONE COM		*					
170201	C	Quaker State	GTE	36,478	17,573,748	14,344,680	32.77	24.88	7.89
170204	A	SOUTH CANAAN TEL. CO.		1,862	1,110,146	845,607	37.84	22.82	15.03
170206	C	SUGAR VALLEY	TDS	1,001	769,452	570,474	47.49	26.55	20.94
170145	A	THE BENTLEYVILLE TEL. CO.		*					
170162	A	THE CONESTOGA TEL. AND TEL. CO.		*					
170191	A	THE NORTH EASTERN PA. TEL. CO.		9,555	5,696,801	4,339,300	37.84	19.73	18.11
170209	C	UTC of Pennsylvania	Sprint Corp.	322,507	177,476,567	135,440,352	35.00	22.66	12.34
170210	A	VENUS TELEPHONE CORPORATION		1,154	688,028	524,077	37.84	19.95	17.90
170277	A	WEST SIDE TELEPHONE COMPANY-P	WEST SIDE TELEPHONE COMPANY	*					
170215	A	YUKON-WALTZ TELEPHONE COMPA		*					
Total				6,523,467	3,472,582,572	2,680,879,767	34.25	26.65	7.60

\* Insufficient Information

For data sources see Tab 3, Page 15

**ESTIMATED ACTUAL BELL ATLANTIC PA INC  
COSTS DISTRIBUTED TO WIRE CENTERS USING  
BCM2 PROXY COSTS**

CLLI	PROXY - BCM2 Sum of Lines*Annual Cost1	TOTAL BELL ATLANTIC-PA INC. COSTS DISTRIBUTED TO WIRE CENTERS
		CLLI Proxy Times (Total BA-PA)/Total Proxy
ABVLP AESR	\$85.31	\$101.49
ALFAPAALR	\$55.21	\$65.68
ALNAPAALS	\$22.28	\$26.50
ALNAPAATS	\$23.66	\$28.15
ALNAPALOS	\$65.39	\$77.79
ALQPPAALS	\$25.61	\$30.47
ALTWPAALS	\$21.50	\$25.58
ALTWPAMTH	\$24.63	\$29.30
ALXNPAAXR	\$56.08	\$66.71
AMBLPAAMS	\$22.93	\$27.28
AMBRPAAMR	\$25.33	\$30.13
ANVLP AANR	\$33.18	\$39.48
ARMRPAARS	\$21.02	\$25.00
ASLDPAALR	\$34.62	\$41.19
AUSTPAAUR	\$102.94	\$122.47
AVDLPAAVR	\$33.89	\$40.32
AVLAPAAVR	\$56.24	\$66.91
AVOCPAAPS	\$27.42	\$32.63
BADNPABAR	\$31.39	\$37.34
BATHPABTR	\$31.18	\$37.10
BCHMPABUR	\$37.41	\$44.50
BCYNPABCS	\$18.39	\$21.88
BEWKPABRS	\$27.68	\$32.93
BGRNPABRR	\$55.75	\$66.33
BGVLPABRH	\$26.91	\$32.01
BHLHPABES	\$25.21	\$29.99
BLCLPABLR	\$56.98	\$67.79
BLLFPABEH	\$31.13	\$37.03
BLLVPABES	\$24.01	\$28.57
BLVIPABLR	\$34.00	\$40.45
BLVNPABVH	\$26.43	\$31.44
BLVRPABOR	\$50.21	\$59.73
BLWDPABER	\$45.66	\$54.32
BMBGPAAKS	\$30.83	\$36.67
BMBGPABLH	\$24.86	\$29.58
BMNSPABMR	\$42.71	\$50.81
BOALPABOR	\$38.22	\$45.47
BRBOPABAH	\$40.04	\$47.64
BRCKPAESS	\$64.29	\$76.48
BRDDPABRS	\$22.67	\$26.97
BRFRPABRH	\$31.16	\$37.07
BRSTPABRS	\$24.42	\$29.05
BRYMPABMS	\$21.90	\$26.05
BSHKPABUS	\$60.51	\$71.98
BSMRPABER	\$44.91	\$53.42
BTHYPABHS	\$25.05	\$29.80

**ESTIMATED ACTUAL BELL ATLANTIC PA INC  
COSTS DISTRIBUTED TO WIRE CENTERS USING  
BCM2 PROXY COSTS**

<b>CLL</b>	<b>PROXY - BCM2 Sum of Lines*Annual Cost1</b>	<b>TOTAL BELL ATLANTIC-PA INC. COSTS DISTRIBUTED TO WIRE CENTERS</b>
BTPKPAAES	\$24.70	\$29.39
BTPKPABPS	\$28.43	\$33.82
BTTWPABUR	\$44.60	\$53.06
BVFLPABFH	\$26.67	\$31.73
BWVLPABRR	\$31.40	\$37.36
CARNPACAS	\$22.28	\$26.50
CDPTPACOR	\$32.67	\$38.86
CGVLPACLS	\$25.16	\$29.93
CHESPACAS	\$25.81	\$30.71
CHESPACBS	\$26.40	\$31.41
CHRLPACHH	\$28.60	\$34.02
CHTRPACHR	\$77.80	\$92.55
CHTTPACTH	\$28.01	\$33.32
CHVLPACHS	\$25.94	\$30.86
CLARPAAFS	\$35.33	\$42.03
CLARPACLH	\$24.33	\$28.95
CLFDPAALS	\$32.24	\$38.35
CLFDPACLH	\$29.82	\$35.48
CLFRPACAR	\$28.52	\$33.93
CLRTPACLR	\$25.59	\$30.45
CLVIPACLR	\$51.12	\$60.81
CLYMPACLR	\$58.75	\$69.89
CNBGPACAH	\$28.09	\$33.42
CNLVPACOH	\$31.61	\$37.61
CNPNPACER	\$29.20	\$34.74
CNSHPACNS	\$22.07	\$26.25
CPHLPACHS	\$21.50	\$25.58
CRAFPACRS	\$22.43	\$26.68
CRDLPAACS	\$68.88	\$81.94
CRDLPACAH	\$24.84	\$29.56
CRESPAESR	\$42.20	\$50.20
CRHTPAPRS	\$29.88	\$35.55
CRPLPACOH	\$22.93	\$27.28
CRSNPACRR	\$54.29	\$64.58
CRTWPACAR	\$58.00	\$69.00
CRVVPACAR	\$35.10	\$41.76
CRWVPACUR	\$42.77	\$50.88
CSSPPACSR	\$49.19	\$58.52
CTHLPACHR	\$42.21	\$50.22
CTSQPACTS	\$22.23	\$26.45
CTVLPACVS	\$24.33	\$28.95
CTWSPAESR	\$40.09	\$47.69
DAPHPADAR	\$27.04	\$32.17
DAVLPADAS	\$29.65	\$35.28
DKCYPAMCS	\$33.30	\$39.61
DNRAPADOR	\$28.65	\$34.08
DRMTPADOS	\$24.55	\$29.21

**ESTIMATED ACTUAL BELL ATLANTIC PA INC  
COSTS DISTRIBUTED TO WIRE CENTERS USING  
BCM2 PROXY COSTS**

<b>CLLI</b>	<b>PROXY - BCM2 Sum of Lines*Annual Cost1</b>	<b>TOTAL BELL ATLANTIC-PA INC. COSTS DISTRIBUTED TO WIRE CENTERS</b>
DRYPADER	\$38.18	\$45.42
DRVLPADOR	\$27.55	\$32.77
DUBSPADUH	\$25.36	\$30.17
DUNBPADUR	\$44.42	\$52.84
DWSNPADAR	\$43.47	\$51.72
DWTWPADTH	\$27.89	\$33.18
DYTWPA DBH	\$23.74	\$28.25
EAGLPAEGS	\$33.82	\$40.24
EBNSPAEBR	\$28.37	\$33.75
EDTNPAEDS	\$24.01	\$28.57
ELCYPACER	\$27.78	\$33.05
ELDDPAELR	\$47.70	\$56.74
ELZBPAELR	\$32.03	\$38.10
ELZTPAETH	\$31.03	\$36.92
ENDVPAENR	\$68.00	\$80.89
ENOLPAENS	\$24.10	\$28.68
EPBGPAEPH	\$23.33	\$27.75
ESTNPAEAS	\$24.92	\$29.65
EXTNPAEXH	\$25.69	\$30.56
EYBGPAELR	\$39.76	\$47.30
FAVLPAFRR	\$29.59	\$35.20
FCVLPAFRR	\$80.86	\$96.20
FELDPAFRR	\$41.68	\$49.59
FLWDPAFLR	\$33.12	\$39.41
FLYVPAFIR	\$35.05	\$41.70
FRCHPAFAH	\$42.64	\$50.73
FRTNPAFAR	\$56.61	\$67.34
FSCKPAFCR	\$29.57	\$35.18
FYCYPACFR	\$38.51	\$45.81
GATNPAGAR	\$52.80	\$62.82
GIVLPAGRR	\$36.03	\$42.87
GLCMPAGLR	\$60.18	\$71.59
GLLDPA GNS	\$25.46	\$30.29
GLLYPAGLR	\$46.39	\$55.18
GLNMPAGLR	\$41.72	\$49.63
GLNSPAGLS	\$27.73	\$32.99
GNBGPAGRH	\$25.96	\$30.88
GNVLPAGRR	\$29.64	\$35.26
GPIAPAMAR	\$28.27	\$33.63
GPIAPAMTR	\$29.19	\$34.73
GRLAPAGLR	\$36.65	\$43.60
GRTRPAABS	\$22.21	\$26.42
GVCYPAGRR	\$31.56	\$37.54
HERMPAHER	\$36.41	\$43.31
HLBGPAADS	\$51.00	\$60.68
HLBGPAHOH	\$31.90	\$37.95
HLFXPAHXR	\$49.39	\$58.75

**ESTIMATED ACTUAL BELL ATLANTIC PA INC  
COSTS DISTRIBUTED TO WIRE CENTERS USING  
BCM2 PROXY COSTS**

<b>CLU</b>	<b>PROXY - BCM2 Sum of Lines*Annual Cost1</b>	<b>TOTAL BELL ATLANTIC-PA INC. COSTS DISTRIBUTED TO WIRE CENTERS</b>
HLTWPAHER	\$26.28	\$31.27
HMBGPAHBR	\$29.59	\$35.21
HMCYPAHOR	\$38.31	\$45.58
HMLNPAHMS	\$53.06	\$63.13
HMSTPAHOS	\$25.65	\$30.52
HNTGPAHUH	\$27.14	\$32.29
HOTWPAHOR	\$52.98	\$63.03
HPVLPACHER	\$36.44	\$43.35
HRBGPAHAS	\$21.01	\$25.00
HRLVPAHVH	\$29.88	\$35.55
HSDLPAHOS	\$31.02	\$36.90
HSNGPAHAR	\$52.80	\$62.81
HTBOPAHBS	\$22.96	\$27.31
HTDLPAHZR	\$60.44	\$71.90
HUMLPAHMR	\$26.25	\$31.23
HWLYPAHWS	\$47.53	\$56.54
HYBKPAHBR	\$46.99	\$55.90
HZTNPAHZH	\$24.24	\$28.83
IMPRPAIMR	\$37.34	\$44.42
INDIPAINH	\$29.85	\$35.51
IRWNP AIRH	\$27.84	\$33.12
JENKPAJKS	\$22.84	\$27.17
JMTHPAJTR	\$40.43	\$48.10
JNNTPAJER	\$24.88	\$29.60
JRMYP AJES	\$34.96	\$41.60
JRSHPAJSH	\$32.89	\$39.13
KANEP AKAR	\$45.61	\$54.27
KGPRPAKPS	\$20.21	\$24.05
KGTNPAESS	\$22.92	\$27.27
KHVLPAKUS	\$27.71	\$32.96
KLMTPAKUR	\$31.19	\$37.11
KMVLPAKVR	\$44.15	\$52.52
KNSQPAKSH	\$27.64	\$32.88
KRLNPAKLS	\$24.51	\$29.16
KZTNPAKZR	\$29.96	\$35.64
LANGPACBS	\$24.19	\$28.78
LANGPALAS	\$26.03	\$30.97
LARCPALMS	\$24.52	\$29.17
LBNNPAESS	\$24.14	\$28.72
LCHNPAESR	\$29.64	\$35.26
LDNBPALBR	\$37.54	\$44.66
LDVLP AESR	\$27.99	\$33.30
LDVYPALVS	\$91.67	\$109.06
LEPRPALER	\$53.64	\$63.81
LGNRPALIR	\$40.45	\$48.12
LHTNPALER	\$26.39	\$31.40
LKARPALAS	\$56.36	\$67.05

**ESTIMATED ACTUAL BELL ATLANTIC PA INC  
COSTS DISTRIBUTED TO WIRE CENTERS USING  
BCM2 PROXY COSTS**

CLLI	PROXY - BCM2 Sum of Lines*Annual Cost1	TOTAL BELL ATLANTIC-PA INC. COSTS DISTRIBUTED TO WIRE CENTERS
LKMPALCR	\$51.64	\$61.44
LNCSPABYS	\$20.53	\$24.42
LNCSPALAH	\$20.56	\$24.46
LNDLPALDS	\$23.72	\$28.21
LNLXPALNS	\$27.95	\$33.25
LNSDPALDS	\$22.88	\$27.22
LRDLPALBH	\$24.91	\$29.63
LTRBPALAH	\$29.23	\$34.77
LWTWPALAH	\$27.69	\$32.84
MBRGPAELS	\$24.70	\$29.39
MBRGPAEMS	\$26.66	\$31.72
MCADPAMCR	\$40.52	\$48.20
MCDDPAMCR	\$37.25	\$44.32
MCMRPAMCH	\$30.34	\$36.10
MCPTPAMKS	\$24.83	\$29.54
MCRKPAMRH	\$23.39	\$27.82
MCTWPAMCR	\$48.56	\$57.77
MDLDPAMIR	\$38.56	\$45.88
MDTNPAMIS	\$26.08	\$31.03
MEDIPAMES	\$22.68	\$26.99
MHCYPAMCR	\$31.85	\$37.90
MHFYPAMAR	\$90.13	\$107.23
MVLPAMIS	\$30.00	\$35.68
MLHMPAMIR	\$58.30	\$69.36
MLTNPAMIR	\$24.31	\$28.93
MLVAPAMIR	\$22.52	\$26.79
MLVLPAMIR	\$45.24	\$53.82
MNDNPAMHR	\$29.66	\$35.29
MNGHPAMOR	\$30.27	\$36.01
MNTPPAAFS	\$59.82	\$71.17
MNTPPAMOR	\$31.45	\$37.41
MNVIPAMIR	\$37.89	\$45.08
MONSPAMOR	\$23.30	\$27.72
MOSCPAMCH	\$26.87	\$31.96
MOVLPAMOS	\$25.82	\$30.71
MRCHPAMAR	\$75.28	\$89.55
MRCRPAMER	\$41.32	\$49.15
MRCTPAMAR	\$56.97	\$67.78
MRSLPAMVS	\$25.19	\$29.97
MRVLPAMAR	\$64.61	\$76.86
MSCWPAMWS	\$54.35	\$64.65
MSTWPAMAR	\$31.84	\$37.88
MTCRPAMCR	\$28.26	\$33.62
MTGRPAMGR	\$42.55	\$50.62
MTJWPAMJR	\$68.26	\$81.20
MTPCPAMPH	\$36.95	\$43.95
MTPTPAMPR	\$27.13	\$32.27

**ESTIMATED ACTUAL BELL ATLANTIC PA INC  
COSTS DISTRIBUTED TO WIRE CENTERS USING  
BCM2 PROXY COSTS**

CLLJ	PROXY - BCM2 Sum of Lines*Annual Cost1	TOTAL BELL ATLANTIC-PA INC. COSTS DISTRIBUTED TO WIRE CENTERS
MTUNPAMUR	\$48.67	\$57.90
MUMLPAESR	\$26.36	\$31.36
MVTWPAESR	\$51.07	\$60.75
NATNPANRH	\$26.20	\$31.17
NCLDPANCH	\$27.15	\$32.30
NFLDPANES	\$53.71	\$63.90
NNTCPANAH	\$28.64	\$34.07
NRLDPAAAR	\$31.46	\$37.42
NRTWPANRS	\$21.85	\$26.00
NSQHPANER	\$46.16	\$54.91
NUMDPANUR	\$79.78	\$94.91
NWCSPANCS	\$29.00	\$34.51
NWFLPANFR	\$44.47	\$52.91
NWHPPANHR	\$22.99	\$27.36
NWKNPANKS	\$24.16	\$28.74
NWLSPANWS	\$23.22	\$27.63
NWPHPANPR	\$45.94	\$54.66
NWSLPANSR	\$39.40	\$46.87
NWSTPANSR	\$33.02	\$39.28
NWTWPANWS	\$26.47	\$31.49
NZRTPANAS	\$28.46	\$33.86
OKDLPAOAR	\$31.29	\$37.22
OKMTPAOAH	\$21.03	\$25.02
OLYPPAOLS	\$24.71	\$29.40
ORBGPAORR	\$28.29	\$33.66
OSMLPAESR	\$38.85	\$46.22
OXFRPAOXR	\$35.49	\$42.22
PAOLPAPAS	\$22.22	\$26.43
PATNPAPAR	\$36.42	\$43.32
PEHLPAPHS	\$28.49	\$33.89
PGTWPAPTR	\$44.68	\$53.15
PGVMPAAAS	\$45.91	\$54.62
PHBGPAHR	\$29.55	\$35.15
PHLAPABAS	\$19.97	\$23.75
PHLAPACHS	\$23.46	\$27.91
PHLAPADBS	\$20.05	\$23.85
PHLAPADES	\$19.30	\$22.96
PHLAPAEVS	\$17.69	\$21.05
PHLAPAEWS	\$22.50	\$26.77
PHLAPAGES	\$20.48	\$24.37
PHLAPAIVS	\$22.37	\$26.62
PHLAPAJES	\$21.91	\$26.06
PHLAPAKRS	\$24.31	\$28.92
PHLAPALOS	\$15.41	\$18.33
PHLAPAMKS	\$16.12	\$19.18
PHLAPAMYS	\$21.95	\$26.11
PHLAPAORS	\$22.68	\$26.98

**ESTIMATED ACTUAL BELL ATLANTIC PA INC  
COSTS DISTRIBUTED TO WIRE CENTERS USING  
BCM2 PROXY COSTS**

CLL	PROXY - BCM2 Sum of Lines*Annual Cost1	TOTAL BELL ATLANTIC-PA INC. COSTS DISTRIBUTED TO WIRE CENTERS
PHLAPAPES	\$16.88	\$20.08
PHLAPAPIS	\$21.66	\$25.76
PHLAPAPOS	\$20.52	\$24.41
PHLAPARBS	\$17.93	\$21.33
PHLAPARES	\$20.62	\$24.53
PHLAPASAS	\$22.10	\$26.29
PHLAPASHS	\$19.06	\$22.67
PHLAPATRS	\$19.58	\$23.30
PHLAPAWVS	\$21.21	\$25.23
PITBPAALS	\$21.75	\$25.88
PITBPACAS	\$26.71	\$31.78
PITBPADTS	\$15.05	\$17.91
PITBPAELS	\$19.28	\$22.94
PITBPANSS	\$18.63	\$22.16
PITBPAOKS	\$16.26	\$19.34
PITBPAOWS	\$24.57	\$29.23
PITBPASQS	\$21.95	\$26.11
PIVLPAPVR	\$39.09	\$46.51
PLHSPAPHH	\$26.80	\$31.88
PLMOPAPLR	\$28.47	\$33.87
PLMYPAPAH	\$26.51	\$31.54
PLSGPAPGR	\$42.61	\$50.69
PNBGPAPBH	\$32.15	\$38.24
PRBGPAPBR	\$40.01	\$47.60
PRFDPAPFR	\$31.29	\$37.23
PRKSPAPES	\$30.12	\$35.83
PRTGPAPOR	\$39.94	\$47.51
PRWDPAPAR	\$52.11	\$61.99
PRYPPAPER	\$35.54	\$42.29
PSVLPAPVR	\$35.08	\$41.74
PTALPAPAR	\$44.28	\$52.68
PTMRPAPMR	\$43.87	\$52.19
PTTNPAPIS	\$26.96	\$32.08
PTTVPAPOH	\$29.32	\$34.89
PTTVPASMS	\$26.98	\$32.10
PTTWPAPTH	\$25.19	\$29.96
PUNXPAPUR	\$34.68	\$41.26
PXTGPAPGS	\$24.70	\$29.38
PXTNPAPAS	\$26.38	\$31.38
PXVLPAPVS	\$25.72	\$30.60
PYVLPAPMS	\$23.16	\$27.56
PYVLPAPAH	\$25.24	\$30.03
QKTWPAQTS	\$28.37	\$33.75
RBTTPAPWS	\$29.60	\$35.22
RBTTPARTH	\$22.93	\$27.28
RDNGPARES	\$19.42	\$23.11
RDPKPARPS	\$22.19	\$26.39

**ESTIMATED ACTUAL BELL ATLANTIC PA INC  
COSTS DISTRIBUTED TO WIRE CENTERS USING  
BCM2 PROXY COSTS**

CLLJ	PROXY - BCM2 Sum of Lines*Annual Cost1	TOTAL BELL ATLANTIC-PA INC. COSTS DISTRIBUTED TO WIRE CENTERS
RENVPARER	\$68.46	\$81.45
REW PARER	\$55.76	\$66.33
RGVLPARIR	\$41.81	\$49.74
RLTTPAROR	\$51.77	\$61.59
ROCHPARCH	\$25.22	\$30.00
RSSLPARUR	\$58.74	\$69.88
RYFRPARFR	\$25.33	\$30.14
RYVLPARER	\$38.49	\$45.80
SCDLPASCR	\$29.11	\$34.63
SCHNPASCR	\$22.73	\$27.04
SCHWPASVR	\$30.29	\$36.04
SCTNPASCS	\$23.95	\$28.49
SDTNPASDS	\$24.90	\$29.63
SGGVPASGR	\$52.08	\$61.96
SHLNPASHH	\$23.99	\$28.54
SHMKPASHH	\$31.42	\$37.38
SHNDPASHR	\$27.74	\$33.00
SHRNPASHH	\$25.32	\$30.13
SHSAPASHH	\$23.30	\$27.72
SLTNPASTS	\$25.67	\$30.54
SLTTPAESR	\$29.09	\$34.61
SLWBPASLS	\$24.56	\$29.22
SMCKPASMR	\$49.66	\$59.08
SMPTPASMR	\$56.20	\$66.86
SNBYPASUH	\$23.19	\$27.58
SNSPPASSS	\$26.70	\$31.77
SPDLPASPR	\$28.81	\$34.28
SPFDPAAIS	\$23.15	\$27.54
SPFDPASFH	\$25.92	\$30.84
SPMLPASMR	\$57.22	\$68.07
SPTWPASPR	\$42.85	\$50.98
SRBGPASTH	\$30.74	\$36.57
SRVLPASHR	\$28.93	\$34.42
STBGPAESR	\$30.91	\$36.77
STCGPAESS	\$24.17	\$28.75
STSTPASSR	\$99.56	\$118.44
SWKYPASER	\$25.05	\$29.81
SWSHPASSR	\$74.66	\$88.82
SXTNPASAR	\$70.69	\$84.09
SYVLPASYR	\$30.99	\$36.87
TAMQPATAR	\$30.44	\$36.21
TAYLPATAR	\$30.35	\$36.11
TBYHPATOR	\$51.02	\$60.69
TIDTPATIR	\$56.88	\$67.67
TNSTPATIR	\$50.97	\$60.63
TNVLPATAS	\$42.54	\$50.61
TRCKPATCS	\$27.07	\$32.21

**ESTIMATED ACTUAL BELL ATLANTIC PA INC  
COSTS DISTRIBUTED TO WIRE CENTERS USING  
BCM2 PROXY COSTS**

CLL	PROXY - BCM2 Sum of Lines*Annual Cost1	TOTAL BELL ATLANTIC-PA INC. COSTS DISTRIBUTED TO WIRE CENTERS
TRNTPATAS	\$25.58	\$30.43
TRPRPATRH	\$23.81	\$28.33
TULYPATUS	\$27.98	\$33.29
TYRNPATYR	\$35.87	\$42.67
ULYSPAULR	\$66.23	\$78.79
UNTNPAMTS	\$25.00	\$29.74
UNTNPAUNS	\$29.03	\$34.54
WALXPAWAR	\$49.55	\$58.95
WASHPAWAS	\$25.60	\$30.46
WAYNPAWYS	\$22.46	\$26.72
WCHSPA WCS	\$23.48	\$27.94
WCNSPAAAS	\$19.62	\$23.34
WDLDPAWOR	\$66.94	\$79.64
WGRVPAWGR	\$31.99	\$38.05
WGTNPAWRS	\$29.90	\$35.57
WHHNPAWHR	\$45.62	\$54.27
WKBGPAWKS	\$23.49	\$27.94
WLBRPAWBH	\$23.67	\$28.16
WLGRPAWGH	\$21.16	\$25.17
WLPKPAESR	\$55.60	\$66.15
WLPTPAWIH	\$22.47	\$26.73
WLRCPAWOR	\$45.50	\$54.13
WLSTPAWSR	\$30.59	\$36.39
WMDLPAWMR	\$37.93	\$45.13
WMFLPAWMS	\$26.38	\$31.39
WMPMPAWAR	\$50.30	\$59.84
WNBPAWIR	\$74.43	\$88.54
WNTNPAWNR	\$32.71	\$38.92
WRRNPAWAH	\$30.49	\$36.28
WSHVPAWAR	\$52.97	\$63.01
WSVWPAWER	\$28.07	\$33.39
WTHRPAWER	\$36.49	\$43.42
WYNGPAWYR	\$28.46	\$33.85
YNVLPAYOR	\$40.96	\$48.73
YRDLPAYLS	\$29.96	\$35.64
ZLNPPAZER	\$30.10	\$35.81
TOTAL	\$25.58	\$30.43

Ratio - Actual to BCM2 Costs

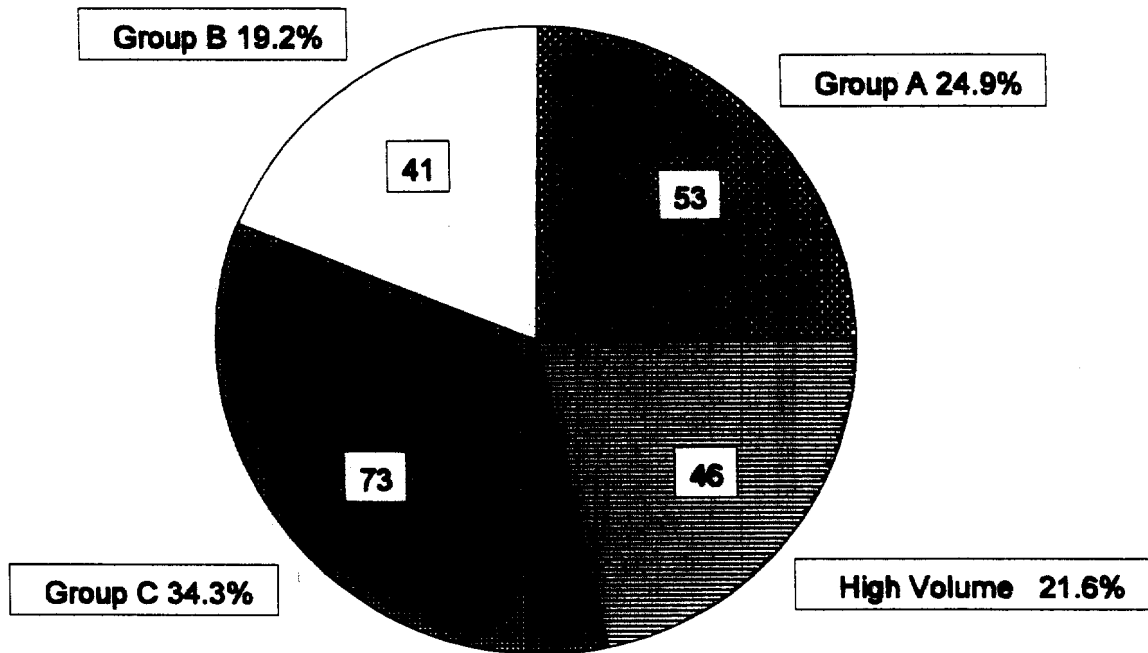
119%

# **SUMMARY OF ESTIMATED ACTUAL SUPPORT WHICH MAY BE LOST DUE TO FURTHER COMPETITION AND THE FCC INTERCONNECTION ORDER**

	<u>Nationwide</u>			<u>Southwestern Bell</u>		
	<u>Total</u>	<u>Interstate</u>	<u>State</u>	<u>Total</u>	<u>Interstate</u>	<u>State</u>
1. Support from other (primarily toll and access) services to maintain reasonable local rates.	\$21.6B	Not Analyzed		\$1,536M	\$315M	\$1,221M
2. Amounts within average toll rates to support reasonable rate levels in high cost areas.		Not Analyzed		\$143M	\$0	\$143M
3. Amounts within average access rates to support reasonable rate levels in high cost areas.		Not Analyzed		\$345M	\$215M	\$130M
4. Support within local services						
- Business to Residence		Not Analyzed			Not Analyzed	
- Vertical Svcs to Basic Svcs		Not Analyzed		\$914M	\$0	\$914M

## SWBT - Missouri Service Areas

213 End Office Wire Centers



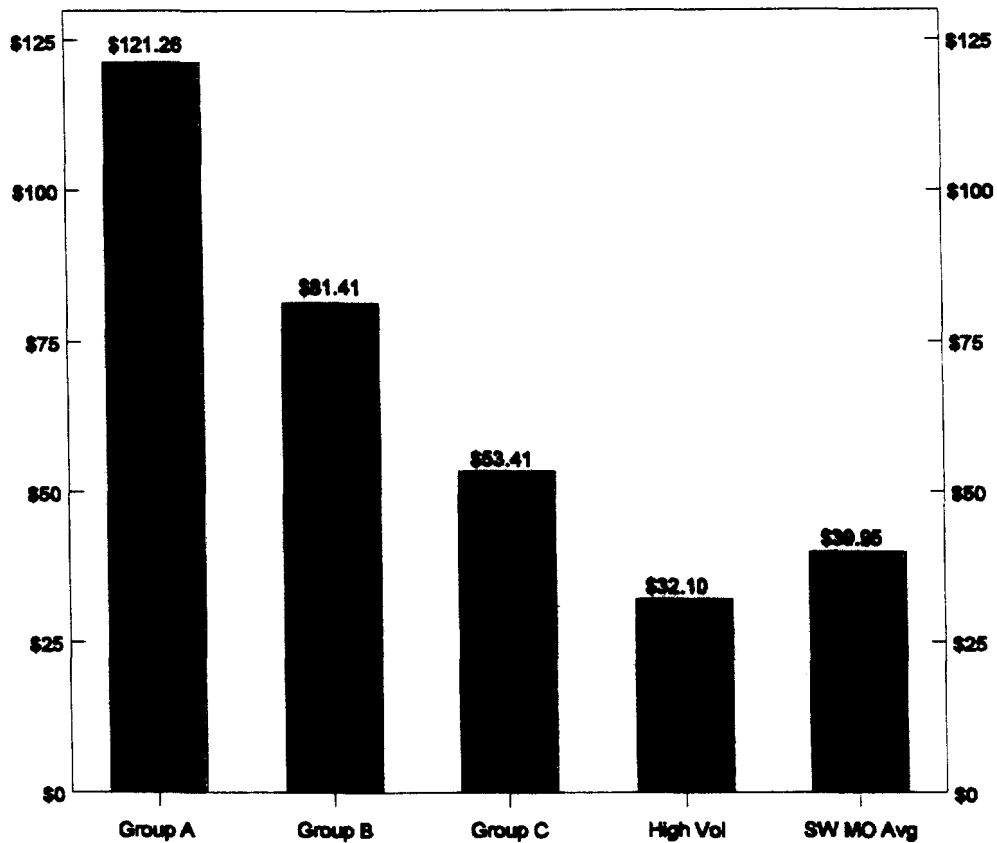
Low Volume - Group A - Under 1,000 Lines  
- Group B - Under 2,500, Over 1,000 Lines  
- Group C - Over 2,500 Lines  
High Volume (HV) - Over 50M Toll and Access MOU

The majority of areas (wire centers) that SWBT serves are low volume, primarily mid-size and small towns and rural areas.

1993 Wire Center Study Data

# SWBT - Missouri

## Geographic Costs To Provide Local Exchange Network



### WIRE CENTER GROUPS

	Low Volume			High Vol	Total/ Average
	Group A	Group B	Group C		
Number of Wire Centers	53	41	73	46	213
Households per sq mile	8	14	40	436	75
Toll/Access MOU	2%	3%	22%	73%	100%

NOTE: An updated 1995 Study Area Cost Study average cost per access line is \$38.76.

1993 Wire Center Study Data

## **GEOGRAPHIC COSTS TO PROVIDE LOCAL EXCHANGE NETWORK**

- Actual costs to serve vary substantially by geographic area.
- It is more costly to serve low density (largely rural) areas than high density, high volume (largely metro) areas.
- A substantial share of total local exchange costs (\$989M) are devoted to providing service in non-urban areas (\$415M, or 42%).
- Carrier of Last Resort obligations, in particular maintaining capacity needed to serve any reasonable service request have contributed substantially to network costs.
- Highest usage volumes are concentrated in metro areas - 73% in high volume areas.

## **SWBT ACTUAL COSTS ARE REASONABLE**

- SWBT has efficiently deployed investments to provide quality service to both urban and rural customers over many years.
- SWBT's deployment of infrastructure is devoted to upgrading the basic network for residence and business customers.
- The following assertions are wrong and without basis in fact:
  - (a) SWBT has systematically over-invested.
  - (b) SWBT has made poor historical investment decisions.
  - (c) SWBT is deploying its new plant for competitive services, interLATA or video services.
  - (d) SWBT's expenses and investments are overstated due to inefficiencies.
- AT&T and others often make these incorrect assertions, without facts, to support why their proxy models, such as TSLRIC, have investment and expense levels that are approximately 45% less than actual costs.

**ACTUAL COSTS DEPLOYED TO MAINTAIN AND SUPPORT  
LOCAL EXCHANGE NETWORK ARE REASONABLE  
SWBT - Missouri  
1996**

	SWBT	SWBT COST %
1		
<b>Direct Facility Invest.</b>		
2 COE	1,099,034,095	
3 C&WF	1,623,530,680	
4 IOT	75,039,189	
5 Operator Systems	10,938,195	
6 TOTAL DIRECT FACILITY INVESTMENT	2,808,542,359	
7 COE Reserves	414,319,730	
8 C&WF Reserves	691,113,305	
9 IOT Reserves	41,755,355	
10 Oper Sys Reserves	3,818,139	
11 COE Deferred Taxes	179,633,813	
12 C&WF Deferred Taxes	128,187,549	
13 IOT Deferred Taxes	9,255,719	
14 Oper Sys Deferred Taxes	1,708,367	
15 TOTAL DIRECT FACILITY RESERVES	1,467,791,976	
16 Net Investment	1,340,750,383	
17 Direct Return and Tax	218,648,889	28.89%
<b>Direct Facility Exp.</b>		
18 COE Maint.	51,501,680	
19 C&WF Maint.	100,644,722	
20 IOT Maint.	24,167,753	
21 OS Maint.	840,582	
22 COE Depreciation	96,900,455	
23 C&WF Depreciation	81,031,311	
24 IOT Depreciation	5,770,891	
25 OS Depreciation	776,697	
26 Network Operations	81,414,395	
27 Property Tax	55,009,139	
28 Total Direct Expense	488,667,688	48.89%
29 Total Direct Cost	717,304,464	67.88%
<b>Customer Service Related Expenses</b>		
30 Customer Service Exp. (1)	58,728,954	
31 Operator Services (1)	24,698,115	
32 Total Customer Services Expenses	83,427,069	7.86%
<b>Network and Service Support Investments</b>		
33 Gen. Sup. Fac. Inv.	657,523,913	
34 Oth. Investment	56,278,361	
35 Gen. Sup.-Def. Taxes	100,090,798	
36 GSF Reserves	255,234,136	
37 Other Reserves	5,938,786	
38 Net Investment	552,538,555	
39 Support Investment Return and Tax	88,106,844	8.48%
<b>Network and Service Support Expenses</b>		
40 Depreciation (GSF)	50,842,095	
41 Amortization	4,785,315	
42 GSF Expenses	(17,567,984)	
43 Other	3,091,945	
44 Other Taxes	11,816,425	
45 Total Support Expenses	52,967,795	4.99%
<b>Common Costs</b>		
46 Marketing	23,279,585	
47 Corporate	94,745,819	
48 Total Common Costs	118,025,404	11.12%
49 Total Costs	1,061,831,677	100.00%

## **REASONABLE RATES**

Irrespective of geographic local exchange cost differences, the current "reasonable" rates for all are supported to a large degree by either explicit support or support flows implicit in the current rate structure. This support:

- Maintains existing SWBT local rate levels - Low: \$7.55  
- High: \$12.50
- Maintains existing geographic (urban vs. rural) rates via statewide intraLATA toll and interLATA access rate averaging.

Major supports are composed of:

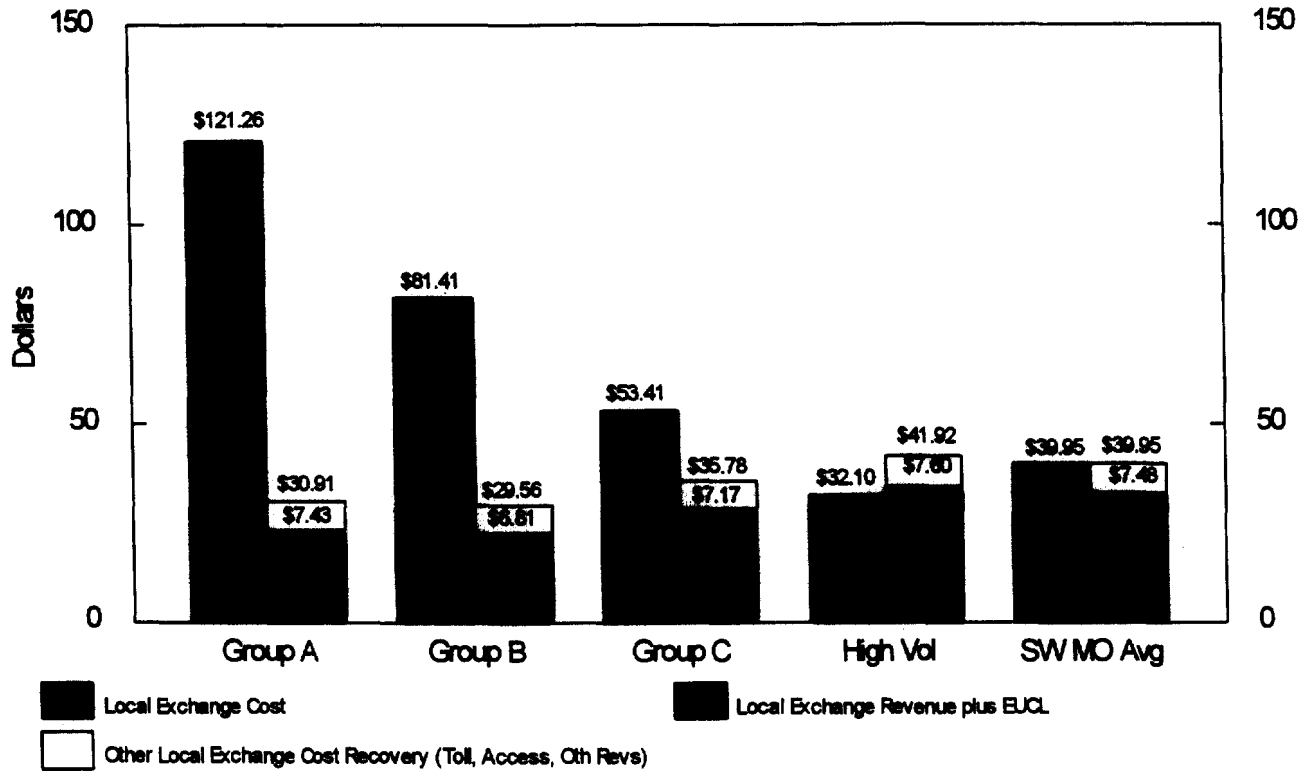
- (1) Implicit - Recovery of local costs from toll, access and other customers.

Missouri	Avg Rev / MOU	Avg Loc Exch Support
Toll	\$ 0.19	\$ 0.09
State Access	\$ 0.11	\$ 0.07

- (2) Explicit -
  - Federal USF
  - Interstate switch recovery
  - Interstate Long Term Support
  - State support funds
  - Lifeline/Linkup

# SWBT - Missouri

## Local Exchange Costs\* and Local Exchange Cost Recovery Per Line Per Month



\* Embedded Fully Distributed Cost Analysis

### WIRE CENTER GROUPS

	Low Volume			High Vol	Total/ Average
	Group A	Group B	Group C		
Number of Wire Centers	53	41	73	46	213
Households per sq mile	8	14	40	436	75
Toll/Access MOU	2%	3%	22%	73%	100%

Low Volume - Group A - Under 1,000 Lines  
                   - Group B - Under 2,500, Over 1,000 Lines  
                   - Group C - Over 2,500 Lines  
 High Volume (HV) - Over 50M Toll and Access MOU

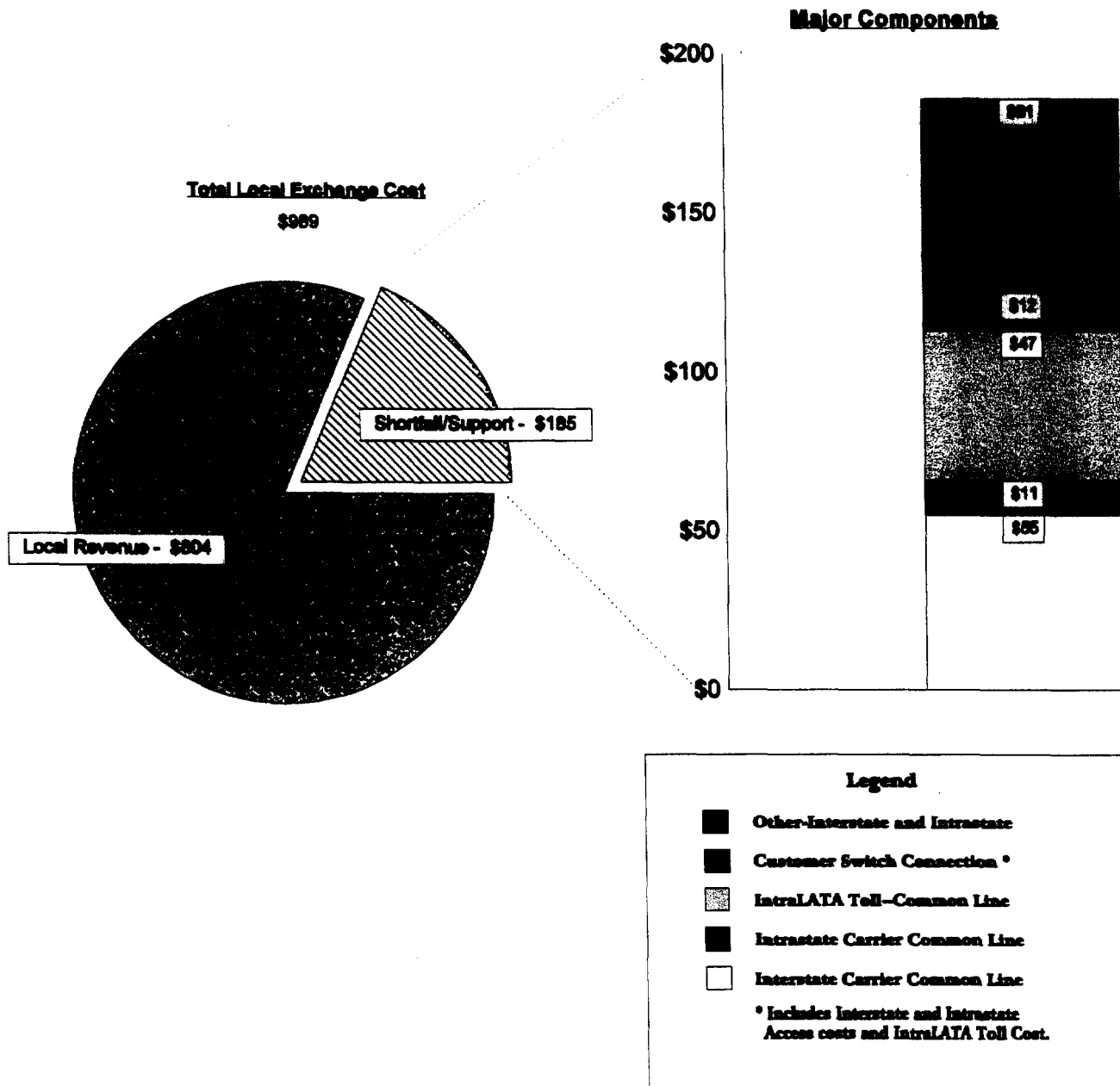
NOTE: An updated 1995 Study Area Cost Study shows Local Exchange cost as \$38.76.

1993 Wire Center Study Data

# SWBT -Missouri

## Analysis of Major Components of Support To Local Exchange Service

(\$ Millions)



NOTE: An updated 1995 study indicates that this support is now \$205M

1993 Wire Center Study Data